OKLAHOMA

Current Farm Economics

Special Article — Incentive Payments for Wool

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The Agricultural Situation

GENERAL[1]

National income measures now available reflect the size and character of the decline in business activity during the first quarter in 1958. In general, these measures show that the down-trend of activity has been marked by an accelerated liquidation of inventories, some further curtailment of domestic fixed and foreign investment and a drop in auto sales. Final demand for such major markets as consumer nondurable goods and services and government procurement of a wide range of commodities, has held at a high rate.

For the beginning of the second quarter of 1958, the weakness of business activity continued to center in the important producers' and consumers' durable goods fields. Curtailment of total output at a rate greater than the demand for final use continued and the index of industrial output declined two points in April and was 12 percent lower than a year earlier.

The number of employees on non-farm payrolls continued downward in April after allowance for the customary spring pickup in activity and totaled 50.6 million. This was 2 million below a year ago.

Aggregate income received by individuals has shown some increase from the mid-winter period. However, in the main, this increase reflects an expanded flow of Government transfer payments from Social Security funds and of legislation extending coverage under the old age and survivors program. Although personal income was up 2 billion from last April, higher prices have worked to dampen the level of purchasing power.

The general level of wholesale commodity prices remained stable from early April to early May. Total credit at city banks increased by $2 billion during April and holdings of U. S. Government securities rose substantially. The value of new construction in April was about the same as a year earlier. Public construction was 5 percent higher but private construction was down 2 percent.

In summary, industrial production and employment declined further in April. Total personal income and retail sales increased slightly. During April, wholesale prices generally remained stable and total bank credit expanded further.

Farm Prices and Income

Although general business activity has declined since August of 1957, the demand for agricultural products has been well maintained. In fact, farm product prices and farm incomes have improved since last fall—due mainly to reduced supplies of some important farm products.

[1] Summarized from published reports of the U. S. Departments of Commerce and Agriculture.

Large feed supplies delayed the marketing of meat animals in the winter and early spring and in addition, cattle have been withheld to increase breeding stock. Prices of fruits and vegetables rose substantially because adverse weather reduced marketings.

The index of prices received by farmers increased 1 percent in the month ending April 15 and the index reached 266 (1910-14=100), up 10 percent from a year ago. However, the index of prices paid by farmers for commodities and services on April 15 reached 282 (1910-14=100), a new high and 3 percent above a year earlier.

Farmer's receipts from marketings in the first four months of 1958 were 8 percent above the same period in 1957. These four months usually account for more than one-fourth of the total receipts during the year. **—John Franzmann**

CROPS

Wheat

No major changes have occurred in the wheat situation since the report in the April, 1958, issue of **Current Farm Economics.**

Cotton

Prices received by farmers for all kinds of cotton during the 1957-58 marketing year have been the lowest since 1949. The average price of 29.5 cents per pound compares with 31.7 cents in 1956. This low price reflects the poor quality of the 1957 crop which was the lowest on record with a grade index of 91.6 (Middling White=100), compared with 96.0 in 1956 and 93.2 two years ago. Spotted and other off-colored cotton comprised 36 percent of the crop compared with 18 percent a year ago. While the quality of the cotton was low, the average staple length equaled the highest on record—32.7 thirty-seconds inches.

Prices for Middling 1-inch cotton in 14 spot markets averaged 34.83 cents per pound on May 19, 1958. Market prices have held generally steady with an average price of 34.59 cents per pound in April. Prices during each month of the present marketing year have averaged slightly higher than last year.

Domestic mill consumption for the current year is indicated at about 8 million bales. Domestic mill consumption of all kinds of cotton totaled about 6.2 million running bales through April 30 which is about 400,000 bales less than for the same period last year. This nine month total is the lowest for a similar period since 1949, and the average daily rate of consumption for the past six months has been the lowest since the 1948-49 season.

Exports of cotton are also running behind last year. Exports during the period August, 1957, through March, 1958, totaled 3.8 million bales compared with 5.4 million bales for the same period of the 1956-57 season. Exports for the present marketing year are estimated at 5.6 million bales. This estimate indicates a decline in exports of about 2

million bales from last season; however, they still exceed the average for the postwar period.

Total disappearance of cotton for the current season is expected to be about 13.6 million bales, 2.6 million below last season. With a crop of 10.9 million bales and imports of .1 million bales, disappearance will exceed available supply by about 2½ million bales. The carryover of cotton next August 1 is expected to drop to about 8.7 million bales.

Nearly 5 million acres of upland cotton have been placed in the acreage reserve of the Soil Bank through May 9. This represents 28 percent of the national acreage allotment. The maximum number of acres from which upland cotton can be harvested this year under full compliance is 12.6 million. This compares with 13.6 million acres harvested last year.

Oklahoma, with an acreage allotment of 827,162 acres, placed 363,132 acres or 43.9 percent in the Soil Bank for this season. This leaves a maximum of 464,030 acres for harvesting this year.—**William E. Cathcart**

Feed

General

On April 1, U. S. stocks of the four feed grains—grain sorghums, corn, oats and barley—totaled 106 million tons, the largest on record. Production prospects on May 1 were unusually favorable for all 1958 feed crops. Despite prospects for increased feed consumption and exports, carryover of feed grains into the 1958-1959 marketing year is expected to reach a record 62 million tons, about double the 1952-1956 average.

Sorghums

Total disappearance of grain sorghums in the U.S. is expected to increase 60 percent over last year. Yet, the total carryover of grain sorghums on October 1 probably will total 300 million bushels, far in excess of the carryover in any previous year. Carryover in Oklahoma is expected to be high due to large stocks totaling 10,151,000 bushels April 1, more than double the stocks on April 1, 1957.

Corn

Carryover of corn in the U.S. on October 1 probably will be around 1.6 billion bushels, nearly 200 million above the big carryover of the previous year. Corn supplies in all storage positions reached a new April 1 high of 2,799 million bushels, eight percent above the previous record set in 1957. This represents the sixth year of unbroken increase in April 1 corn holdings since 1952. Corn holdings in Oklahoma on April 1, 1958, were 1,147,000 bushels, an increase of 370,000 bushels from last year.

Oats and Barley

Carryover of oats on July 1 will total about 300 million bushels, one-fourth more than last year. The increased carryover resulted from

a three percent increase in oats supply accompanied by reduced consumption over the previous year. The July 1 carryover of barley is expected to set a new record of 175 million bushels, an increase of 48 million bushels over last year.

Stocks of barley and oats in Oklahoma on April 1 were the highest on record for that date. Holdings on April 1, 1957, and April 1, 1958, respectively, were as follows: oats, 2,345,000 and 5,537,000 bushels and barley, 2,097,000 and 2,352,000 bushels.

Other Feeds

Pasture conditions are generally favorable throughout the nation, and western ranges are providing the best grazing since 1942, according to the U. S. Department of Agriculture. Carryover of hay stocks on May 1 totaled 26.5 million tons, 9 million more than last year, and the largest on record.

The supply of high protein feeds available for the 1957-1958 feeding year is estimated at 13.5 million tons (soybean meal equivalent). This expected supply is slightly higher than for the previous year, both in total and per animal unit.

Prices

Prices of feed grains advanced sharply from the low levels of January. The U. S. index of feed grain prices rose 15 percent from mid-January to mid-April. Increased feed prices resulted in generally less favorable livestock-feed ratios. However, these ratios continue above average in relation to feed costs, and encourage additional feeding operations.

—Luther Tweeten

LIVESTOCK AND LIVESTOCK PRODUCTS

Beef Cattle

Increases in Cattle Inventories

The retention of more cows and heifers for breeding purposes and the slowing down of marketings of fed cattle numbers could mark the beginning of the expansionary phase of the cattle cycle. Cattle and calf slaughter numbers may be reduced sufficiently in 1958 so that the inventory on January 1, 1959, will show a small gain over 1958. If this proves true, the cyclical reduction will have lasted only two years, making this downswing the shortest on record.

As cyclical expansions in cattle numbers are built fundamentally on progressive increases in breeding herds and in size of the calf crop, no expansion can proceed very far without a substantial enlargement of the breeding herd. Expansion of breeding herds is on the way. The expansion of breeding herds is imminent with the present feed situation and feeder prices.

Grazing conditions are good in the cattle producing areas which make it possible for cattle producers to expand cattle numbers. Current pasture feed conditions indicate only small pockets throughout the U. S. where grass stands promise less than 80 percent of the normal grazing return expected from very favorable conditions. Ranchers have been encouraged to retain stocker and breeder cattle.

In addition, the prevailing low feed prices and large supplies of feed have slowed the marketings of fed cattle. With record carryover of feed into 1958-59 anticipated and with conditions for the new hay crop very good, feeders are holding cattle a little longer or bringing the cattle along more slowly.

Beef and veal production is lower than 1957 levels. Beef production in April was 4 percent above March, but 6 percent below April, 1957. Cattle slaughter in April, 1,878,900 head, was 2 percent above March with April slaughter cattle averaging 18 pounds per head heavier in live weight over cattle slaughtered a year earlier. Furthermore, veal production was 19 percent below a year earlier. Calves slaughtered averaged but a pound lighter than calves in 1957.

This high inventory of cattle on feed suggests that a sizeable volume of marketings is very possible in the coming months. However, the rate of marketing can be overstated from the size of the inventory of fed cattle. There is much flexibility in the feeding of cattle, and the relationship of marketings to inventory can vary considerably from year to year.

The number of cattle on feed January 1 was within 3 percent of a year before, both for the U.S. and for the 13 leading feeding states. In those states, 28 percent more cattle were placed on feed during January-March this year than last. As marketings were down 8 percent, the April 1 inventory climbed to 12 percent above a year ago, a record high for the date.

The present favorable conditions, however, will not bring an unprecedented boom in cattle numbers and prices. The possible danger is not too great that too many cattle will be withheld from the market and that herds will be built up too fast. Where the withholding of cattle would reduce marketings and raise price, the higher prices would tempt producers to withhold more cattle which would eventually result in increased marketings and rapidly declining prices. Unless an artificial boom psychology gets out of bounds, fast increases will be prevented by both short term and long term forces. The short term factors center around the large marketings and declining prices of fed cattle that are expected the remainder of the summer. The longer term factors relate to the reduction of cattle numbers and the demand situation. As compared with the 1945-49 decline, cattle numbers decreased more percentagewise than in the current decline and there is no expected rapid increase in demand such as resulted from the Korean Conflict in 1950-53.

Demand for Cattle

The demand for breeding stock will remain strong as long as another drought or a severe drop in the demand for meat does not

occur. Good summer range feed prospects are causing a strong demand for grazing cattle.

Prices paid for feeder and replacement livestock increased only about one percent from April 15 to May 15. This makes the eleventh consecutive month in which replacement livestock prices have risen. Feeder cattle were up from mid-April with demand particularly brisk for lightweight cattle to go on feed. The feeder cattle and replacement livestock index was up 28 percent from May, 1957. Prices of feeder cattle have moved steadily higher since the fall of 1956, with only a brief interruption early last fall. Prices of feeder cattle have increased more than prices of slaughter cattle and seasonal price declines are likely in feeder cattle. Although feeder prices normally change more than slaughter prices, declining costs of feed and good ranges and pastures have added to the price rise of both stockers and feeders.

Prices of feeder cattle in 1958 will be unusually sensitive to trends in prices of slaughter steers. Feeder cattle are selling at so narrow a price margin with fed steers that any decline in fed cattle prices will bring a response in feeder prices. Thus, if the expected reduction in fed cattle prices materializes, seasonal decreases in price of feeder cattle may be expected. However, the strong demand for grazing cattle has helped to hold up prices of feeder cattle despite the downtrend in fed cattle prices.

Imports of Cattle

Due to the relatively high prices of cattle in the U. S., imports of cattle from Canada and Mexico have increased in 1957 and the trend has continued in 1958. Imports of cattle from Canada and Mexico each averaged about 50,000 head a month for the first three months of 1958. However, the Canadian imports can do little to alleviate the expected shortage of feeder cattle in the U. S. next autumn.

A Canadian survey of cattle on farms showed a decline in the national head for the first time since 1950. The number of steers and heifers was lower because of increased sellings due to high prices. Since then, another 235 thousand feeder cattle have been shipped to Canadian and U. S. feedlots as against a 75 thousand head movement in the same period a year earlier. This would indicate fewer cattle going on grass in Canada this summer. With smaller supplies and higher prices in Canada, Canadian buyers are likely to be more aggressive in making purchases. Compared with 1957, it doesn't look as if many feeder cattle will be available for export to the U. S. this coming fall.

—Paul Andrilenas

Dairy

Consumption of milk has held strong in most markets. In areas where unemployment is heavy, there has been some decline in fluid milk consumption. However, large changes in income usually cause only small changes in milk consumption over a short period of time. If

income remains low over a longer period of time, then consumers may gradually shift to the consumption of other products such as evaporated milk and powdered milk.

Production of milk in the U. S. is holding at the same level as last year. During the remaining months of 1958, production is expected to be higher than last year. Good forage and favorable milk-feed price ratios should encourage higher production per cow.

Wholesale prices of dairy products in May continued the decline which started in April. In mid-May the wholesale price of manufacturing milk was close to $2.90 per cwt. and the wholesale price of all milk was $3.77 per cwt. These prices were down about 10 cents per cwt. from April. Prices of manufactured dairy products during the coming months should remain close to present levels since price supports will be operative.

The Class I price of milk in the Oklahoma Metropolitan Milk Marketing Area was $4.86 per cwt. (subject to location differentials). This compares with $4.96 per cwt. in April. The average price received by Oklahoma farmers for all wholesale milk was $4.15 in May.

The Federal Order price of Class I milk in Oklahoma should increase by 40 cents per cwt. in July. This increase will be caused by the changes in the seasonal price differential under the Federal Order pricing procedure. However, producers in some markets have been receiving a premium over the Federal Order price during the April, May and June period. Thus, on balance, Oklahoma milk prices should average slightly higher in July than at present but the increase likely will be less than 40 cents per cwt. **—Leo V. Blakley**

Hogs

Slaughter

U. S. slaughter of 25.2 million head for the first four months of 1958 is six percent below the same period of 1957. Total reduction was greatest in the months of February and March. Beginning in June, however, 1958 slaughter figures are expected to equal or slightly exceed those of last year. This expected increase in slaughter is the result of an increase in the number of pigs born in the spring of 1958, particularly in the early months of the season (December, January and February). This increase in slaughter rate will carry over into the fall when offerings are expected to exceed those of last year.

Oklahoma slaughter figures show an even greater decrease for January through April than for the United States. The estimated total of 257.5 thousand head is a decrease of 14.6 percent from 1957 figures. Hog slaughter in Oklahoma for April is estimated at 66,000 head compared with 72,000 for the same month last year.

Pig Crops

The number of sows farrowed and intended to farrow in the spring of 1958 (December through May) for 10 of the corn belt states totaled

5,702,000 head, an increase of six percent over the spring of 1957.* A trend toward earlier farrowings is quite evident as the increase for the first three months of this period was 15 percent above 1957 and 68 percent above the 10-year average (1947-56) of 1,079,000 head. Continued increases in the summer quarter (June through August) of 13 percent over 1957 are indicated. Farrowings this fall are expected to be up by about eight percent. Producers may intend to shift farrowings to the early part of the fall season just as they did in the spring. These expected increases and shifts in timing of farrowings suggest that slaughter figures in 1959 will be considerably higher and prices lower than those received during 1958.

Hog Prices

U. S. prices in May were very strong, up $1.50 per cwt. to average $21.70, the highest since May of 1954. Oklahoma prices also have increased by 50 cents from last month to average $20.70 per cwt. This compares with a price of $17.60 per cwt. received in May of 1957.

Prices of hogs may remain fairly steady at these levels until late June or early July. The decline this year should begin sooner than normal due to earlier marketings. The total reduction in prices this fall will be moderate and by late fall prices are expected to be not far below the lowest price received last fall. However, if the expected large 1958 fall pig crop materializes, and is marketed in the spring of 1959, prices may drop considerably below those received this spring. Even so, hog prices may remain favorable relative to the price of corn.

Hog-Corn Price Ratio

The U. S. hog-corn price ratio in January of this year exceeded 20.0 for the first time since records began in 1909. Since that date, it has gradually declined, reflecting primarily a rising price of corn. Based on prices received by farmers as of May 15, the price ratio was still favorable at 18.9. The comparable figure for Oklahoma was 16.7. This lower figure in Oklahoma relative to the national average is the result of a $1.00 lower price for hogs and a slightly higher price for corn.

Hog Price Cycle**

There is a great deal of price variability in the marketing of hogs as seen by the accompanying chart. Both production and prices of pigs have moved in a fairly regular pattern and the hog cycle has been the result. Since the war, two outstanding features of this cycle have been its increasing regularity and the lessened response to the hog-corn price ratio. Recent corn support programs have released feeders from a dependence on yearly corn crops and contributed to a more stable hog production cycle. As a result, hog production responds less directly to

* *Pig Crop Report,* AMS, USDA, March 1958, the 10 states are: Ohio, Indiana, Illinois, Wisconsin, Minnesota, Iowa, Missouri, South Dakota, Nebraska and Kansas

**The following is a summary from *The Livestock and Meat Situation,* May 16, 1958.

the hog-corn price ratio than previously and it is a less accurate indicator than before. As an example, farrowings this spring have increased only about one-third as much as would have been expected from the high ratio last fall.

Another factor contributing heavily to the hog cycle has been a higher price response to changing supplies of pork since the war. Previous to this time, a change of 10 percent in supply of hogs caused about a 17 percent change (in the opposite direction) in price. Since the war, price response has been 25-30 percent. Thus, whenever production departs from normal for any reason, the sharp price reaction that follows tends to generate a further fluctuation in production.

From Figure 1 the relationship between price variability and supply is apparent. Supplies peak about every fourth year and price responds inversely. During 1957 and the first half of 1958, the supply of pork has been less than normal and the prices have been considerably higher. Based on these observations and current intentions from farmers, we can expect supplies to increase in 1958 and reach the top of the cycle in the fall of 1959. Prices should begin their downward swing this year and continue dropping through 1959.

Summary

This year is marked by a considerable withholding of meat animals from markets with some expansion of inventories in prospect. This

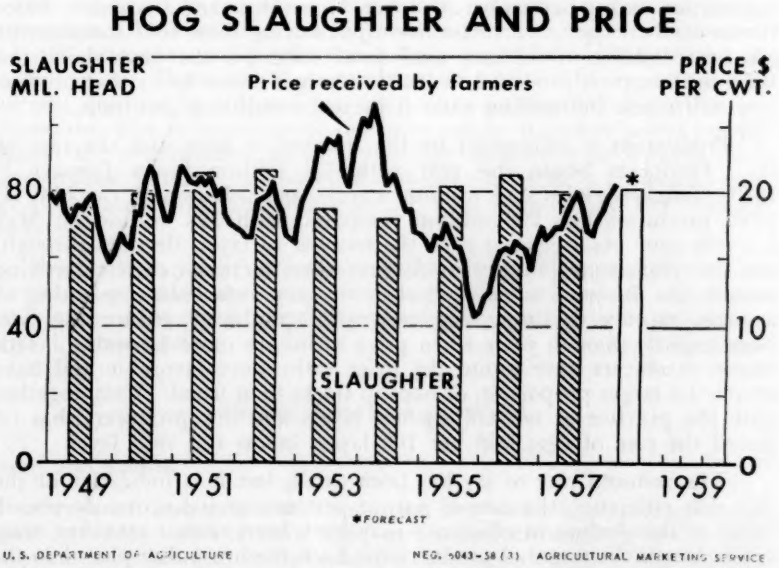

Fig. 1—Relation Between Supply of Pork and Price

seems to be true for all species, cattle, sheep and hogs, and it is one of the few times that trends for the three have coincided. The withholding is occurring after two years of reduction in numbers of cattle and reduced production of hogs. With slaughter supplies tending downward, and consumer demand for meat weakening only slightly, the immediate result of withholding is to create a price boom. The boom feeds on itself; each rise in price stimulates further holding back to speed the expansion.

The current price outlook for hogs is favorable partly because indicated increases in supplies of pork per person would not be excessive, and partly because pork supplies have been below average and could increase somewhat without becoming burdensome. In addition, output of beef will still be cyclically reduced. While the prospects for returns from 1958 fall pigs are fairly bright, it may be the last time in several years when this will be true.—**Fred Mangum & Kenneth B. Boggs**

Poultry

Egg production for the first four months of 1958 has declined from the 1957 level. Total production was estimated at 58.3 million cases in 1958 compared with 60.6 in 1957. The May and June output continues slightly below the same months in 1957. The total production during the calendar year likely will be no less than one million cases below the 1957 output. An increase in chicks for replacements of 8 percent in 1958 compared with the year will provide the basis for an expansion of egg output during September, October, November, and December, 1958. However, the expected increase in output during these four months will not be sufficient to increase total production for the year above the 167.9 million cases produced in 1957. There is a possibility that production will reach 166 million cases if present conditions continue.

Production is influenced by the number of hens and the rate of lay. Producers began the year with 321 million layers January 1, 1958, compared with 337 million a year ago. However, on May 1, 1958, producers had 290 million compared with 298 million on May 1 a year ago. As a general rule, the number of layers declines throughout the year from January to August, then increases each succeeding month. In the years when egg prices are very unfavorable, resulting in a more rapidly declining egg-feed ratio, producers reduce numbers more rapidly than in years when price ratios are more favorable. This season producers have found the price ratio more favorable and have retained a larger proportion of hens in flocks than usual. This, together with the practice of not culling non-layers and low producers, has reduced the rate of eggs laid per 100 layers below the 1957 level.

The reduced rate of lay has been small, but it is indicative of the fact that efficiency, the rate of output per unit of input, has decreased. Some of the decline in efficiency may have been caused by other economies in specific stages of production. Each mature pullet placed in the laying flock costs from $1.75 to $2.25. At present egg prices, this would require about 6 dozen or 72 eggs to pay for a new replacement. If

producers can reduce cost by keeping old hens which reduces efficiency, more second year layers may be retained in poultry flocks.

Egg prices can be expected to remain about 5 cents above the 1957 level through August and average slightly lower than 40 cents during the last three months of 1957. Increased production in the fall likely will prevent the usual seasonal increase in prices.

Broiler prices for the next three months can be expected to decline about 2 to 3 cents at most local markets from present levels. Broilers marketed during the forthcoming three months likely will exceed the 1957 level by approximately 10 to 20 percent based on the percentage change in broiler chicks placed in the 22 principle broiler producing states. The increase in percentage of chicks hatched for replacements tends to expand the total output of broilers in the non-commercial broiler areas. This is a very small fractional part of the total output this season. Replacement purchases of chickens have exceeded the 1957 purchases by only 6 percent. The decline in red meat production (pork, beef and lamb) of 7 percent from January to May has provided the means whereby the increased broiler production could be marketed advantageously. An increase in slaughter of either class of red meats would cause a more severe decline in broiler prices than the expected 3 cents.

Turkey producers apparently have altered plans for the current season. The January intentions were to increase production one percent this season compared with 1957. Poult hatchings were 15 percent less for the first four months of 1958 compared with the identical period a year ago. Although the hatchings after May are expected to exceed the 1957 rate, the total production for the year likely will be about 90 percent of the 81,164,000 birds produced in 1957. This represents the sharpest decrease in output since 1947 when production was decreased 16 percent. The relationship of red meat prices to turkey prices has increased the consumption of turkeys. The movement of turkeys from storage since January has exceeded any previous year and present storage stocks are below 1957 although the total is twice the 1956 storage stock.

Prices are expected to increase seasonally from September through December, provided the late poult hatch does not increase above the 1957 level. Low small grain prices could encourage some expansion beyond present rates. **—K. C. Davis**

Sheep, Lambs and Wool

Sheep and Lambs

Slaughter lamb prices did not reach last year's high prices during April and May. Prices have been at a relatively high level all year with the price of fed lambs reaching a seasonal high of $23.25 per hundredweight in February. Spring lamb prices were higher in March than they were in April or May on the Oklahoma City market.

The heavy slaughter of lambs at the national level in April had a depressing effect on lamb prices at all markets, including Oklahoma City. However, fewer sheep were handled at the Oklahoma City stockyards in April than were marketed there in April, 1957.

Strong demand for ewe lambs to build up breeding flocks continues to give support to slaughter lamb prices. The strength of lamb prices this summer and fall will depend on how cattle prices react to an increased number of beef cattle placed on the market this summer. If cattle prices remain fairly strong, spring lamb prices may be fairly steady for the remainder of this marketing season and probably will average around the 1957 average price of $21.98 per hundredweight for this marketing year.

Oklahoma ranked 29th among all states in liveweight production (at the farm level) of sheep and lambs in 1957 with approximately 12 million pounds. Further enlarging of present ewe flocks and establishment of new flocks throughout the state probably will cause a considerable increase in production this year.

Although Oklahoma producers are marketing spring lambs on the March-June market, evidently there is a sufficient volume of milk-fed lambs marketed in other months to prevent Oklahoma from being classified as an early lamb state. Missouri, Virginia, Kentucky, Tennessee, Texas, Arizona, Idaho, Washington, Oregon, and California are listed as the 10 important early lamb states in periodic reports released by USDA. Oklahoma farmers have the necessary resources and climate to produce spring lambs for the early market. A consistent breeding period in May, June, and July would assure such a lamb. Producers should consider the development of a breeding program which would place lambs on the market during the months of highest prices.

Wool

World wool consumption is at the lowest level since 1955 and demand has continued to decrease since the middle of 1956. Use of apparel wool by domestic woolen and worsted mills last year was lower than in 1956 by about 18 percent, or 54 million pounds, scoured basis. This was at the lowest level since 1938.

Possibly, wool use would have increased last fall, but mills failed to restock their inventories after the recession began. Several reasons for the declining demand for wool were: (1) the reduction of inventories of woolen products as a result of the sharp advance in wool prices and the high interest rates early in the 1957 marketing season; (2) the consummer buying trend toward lighter weight fabrics; (3) the reduction in consumer purchasing power due to the increasing cost of necessities.

World production of wool is expected to be down this season for the first time in 10 years, but the decline is likely to be less than one-half of one percent. Meanwhile, U.S. production of shorn wool is likely to increase a little this year since stock sheep numbers are greater this year than last. Oklahoma producers, with 4,000 more stock sheep, also

should account for more shorn wool this year than last. Improved ranges and pastures and favorable weather during recent months have contributed to the current good crop of shorn wool.

Prices received by farmers for shorn wool since April 1 have been 20-25 cents per pound lower than those received at the same time last year. The wool market possibly will respond to the present competitive position of wool this summer and fall. If this happens, farmers are likely to receive higher prices for their wool than they are receiving at the present time. However, indications are that the average shorn wool price for the 1958 marketing season will be somewhat lower than the 50 + cents per pound received by U. S. farmers last year. Thus, incentive payments for the current marketing season are likely to be somewhat higher than they will be for 1957 marketing season.

A discussion of the Incentive Payments for Wool is presented on the following pages. **—Daniel D. Badger**

INCENTIVE PAYMENTS FOR WOOL

Daniel D. Badger*

The National Wool Act of 1954 authorized a support price level and payments to farmers for shorn wool, pulled wool, and mohair. Payments to support the prices of shorn wool are called **incentive payments** because the legislation was designed to encourage the annual domestic production of 300 million pounds of shorn wool, grease basis.

The original act will expire at the end of the 1958 marketing season (March 31, 1959). However, Congress more than likely will authorize the extension of the present act or the enactment of a similar one for the continued support of wool. The support price for the 1955 through 1958 wool marketing seasons has been announced prior to each marketing season at a level of 62 cents per pound of shorn wool.

Shorn Wool

The owner sells his shorn wool in normal marketing channels to any person or firm with whom he desires to do business. The producer (owner) obtains a sales document at the time of sale. This sales document should contain the following information: (1) name and address of seller; (2) date of sale; (3) net weight of wool sold (this should be indicated on a grease basis); (4) the gross sales proceeds (usually indicated by showing pounds of wool sold multiplied by the price per pound); (5) marketing deductions, if any (these include transportation expenses such as for transportation from the local shipping point, handling to include commissions, grading, scouring, or carbonizing); (6) net proceeds after marketing deductions; (7) other deductions, if any, such as for bags, storage, interest, association dues, and charges not directly related to marketing the wool; (8) amount paid to the seller; (9) name and

* Instructor, Department of Agricultural Economics.

address of the purchaser or marketing agency issuing the sales document; and (10) a handwritten signature by or on behalf of the person or firm issuing the sales document. The sales document issued by the marketing agency shall contain a statement that the wool was marketed during a certain marketing year.

The producer files his sales document with his local ASC office, at which time he also completes an "Application for Incentive Payment-Shorn Wool." The producer must certify to facts relating to the production and ownership of the wool marketed. The ramifications of ownership are too involved to summarize in this article. However, it will suffice to state that if the producer has owned the sheep or lambs from birth or if the original purchase weight of the sheep were included in a previous application for payment, then the producer is entitled to incentive payments on all the wool sold in the marketing year. The producer should visit the local ASC committee, taking with him the sales document and appropriate purchase and sales receipts for additions to or sales from his ewe or feeder lamb flock. The committee then will have the necessary data to assist in completing the application. Application for incentive payment must be filed not later than 30 days after the end of the marketing season (by April 30).

Farmers who have sold shorn wool have everything to gain by filing for the incentive payment. This is a bonus or additional net income (for wool) to the sheep enterprise. Yet, there have been instances where farmers either forgot to file for this payment or else did not know how to file. Payments are made to producers by the county committee as rapidly as possible after the rate of payment is determined at the end of the marketing year.

This incentive payment has been difficult for farmers to understand since many farmers have been under the impression that they would receive a payment from the ASC sufficient to increase the price of wool to 62 cents for each pound they sell. This is not true. The higher the price the individual producer receives for his wool, the greater his incentive payment will be and the higher his final price per pound. Thus, a farmer could easily receive a total price of more than 62 cents per pound for his wool. An example is given below:

In 1956, Producer A sold 100 pounds of shorn wool which netted him, after marketing deductions, $58.00 or 58 cents per pound. His incentive payment was 58 x 40 percent*, which equalled 23.2 cents per pound. Therefore, Producer A received 81.2 cents per pound for his wool. Producer B meanwhile sold 100 pounds of low quality wool, including tags which netted him, after marketing deductions, $34.00 or 34 cents per pound. His incentive payment was 34 x 40 percent or 13.6 cents per pound. Producer B's final price for his wool was 47.6 cents per pound.

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* The rate of incentive payment is computed as follows: The price diffrence between the 1956 U. S. average price for shorn wool and the announced support price is divided by the U. S. average price and the result is multiplied by 100 to express the figure as a percentage. For example, in 1956; 62.0—44.3=17.7 cents per pound difference. 17.7 ÷ 44.3 = .40 x 100 = 40 percent.

Oklahoma farmers can make long strides in increasing the price received for their wool by adhering to sound sheep management and wool marketing practices. Obviously, the selection of a buyer is most important. Wool cooperatives sell the wool over an orderly marketing period to obtain higher average prices. This also prevents a glut on the market which would cause a severe depression of wool prices at the beginning of the marketing season (during the shearing season). If the producer needs cash immediately, he may sell to an individual buyer. However, he should know the going market price and something of the prospective wool market, in order to be in best position to market his wool to advantage. Always remember that the initial price received for the wool is most important. Strive to sell top quality wool and to obtain top prices.

Pulled Wool

Applications for incentive payments on pulled wool are processed in the same way as are the applications for shorn wool. The support price for pulled wool is determined by the national average price for shorn wool, the incentive price level for shorn wool and the liveweight of the lambs marketed. In addition to supporting prices, these payments are designed to discourage heavy shearing of lambs just before marketing. To be eligible for a payment, the lambs must never have been shorn at the time of sale.

The producer must own the unshorn lambs 30 days or more to be eligible for payment. The payment is based on the weight, or weight increase, of the lambs, occurring during the producer's ownership. Again, if the producer were the only owner of the animals, he would receive full payment. However, if the lambs were purchased by the present owner, the original producer is eligible for a payment based on the full liveweight of the animals when he sells them. Thus, each subsequent owner can file for a payment only on that portion of the weight produced during his ownership.

The payment for pulled wool is computed in the following manner, using the 1956 season average price as an example. The difference between the national average price received by farmers for shorn wool of 44.3 cents per pound and the incentive level of 62 cents per pound was 17.7 cents. This difference of 17.7 cents was then multiplied by 80 percent to give 14.2 cents. The factor, 80 percent, is used because pulled wool normally is of coarser grade and shorter staple length than shorn wool. The average amount of pulled wool per hundredweight of live animal is determined to be 5 pounds. Thus, 14.2 multiplied by 5 equalled 71 cents which was the incentive rate per hundredweight of live animal sold for slaughter during the 1956 wool marketing season.

Table 1.—Prices Received by Farmers for Oklahoma Farm Products.

(Dollars)

		Wheat	Corn	Oats	Barley	Rye	Grain sorghum	Cotton-lint	Cotton-seed	Sweet potatoes	Soybeans	Peanuts	Alfalfa seed
1956		2.00	1.39	.74	.94	1.12	1.13	.286	50.67	2.80***	2.21	.111	11.60
1957		1.96	1.34	.74	.90	1.06	1.05	.276	54.38	2.90***	2.14	.108	12.74
1957	May	1.95	1.42	.78	.98	1.08	1.13	.284	* *	* *	2.20	.110	12.30
	June	1.89	1.38	.63	.78	.95	1.08	.284	* *	* *	2.15	.110	* *
	July	1.92	1.41	.62	.75	.94	1.06	.287	* *	* *	2.20	.110	* *
	Aug.	1.88	1.38	.64	.77	.99	1.02	.285	51.00	2.75	2.20	.110	12.72
	Sept.	1.87	1.22	.68	.78	1.06	.89	.296	53.00	2.90	2.10	.110	12.72
	Oct.	1.86	1.17	.68	.77	1.02	.80	.287	49.00	2.75	2.05	.110	12.66
	Nov.	1.91	1.20	.66	.77	.96	.82	.273	49.00	2.75	2.00	.103	12.30
	Dec.	1.97	1.19	.67	.77	.98	.86	.211	50.00	3.00	2.00	.101	12.60
1958	Jan.	1.99	1.16	.68	.78	.95	.90	.198	51.00	3.00	2.00	.094	12.60
	Feb.	2.01	1.18	.67	.76	.93	.93	.198	52.00	3.00	2.00	.100	13.20
	Mar.	2.04	1.18	.65	.75	.94	.96	.205	53.00	3.05	2.00	.104	13.80
	Apr.	2.06	1.20	.64	.73	1.00	1.01	.215	* *	3.20	2.10	.104	13.80
	May	2.06	1.24	.61	.72	.97	1.02	.238	* *	* *	2.05	* *	13.20

		All hay	Alfalfa hay	Wild hay	Cattle	Calves	Sheep	Lambs	Hogs	Wholesale milk	Butterfat	All chickens	Eggs	Turkeys
1956		23.93	28.92	19.09	13.27*	15.71*	4.96*	18.62*	14.51*	4.56*	.53*	.172*	.332	.247
1957		22.99	28.22	19.90	15.84*	17.75*	6.77*	19.55*	18.00*	4.58*	.53*	.163*	.304	.225
1957	May	21.80	25.80	20.10	15.80	17.60*	5.90	21.00	17.60	4.10*	.52	.167*	.247	.230
	June	18.60	21.20	18.40	16.10*	17.60*	6.00	19.90	18.70	4.20*	.51	.176*	.243	.220
	July	19.10	23.00	16.50	16.60*	17.80*	6.40	19.50	19.40*	4.40*	.51	.176*	.248	.220
	Aug.	20.20	25.00	16.50	16.40*	18.40	7.00	20.20	20.50	4.55*	.52*	.175*	.283	.220
	Sept.	19.80	25.00	15.50	16.30*	18.20*	7.50	19.50*	19.80	4.75*	.53*	.159*	.337	.220
	Oct.	19.80	24.50	15.90	16.10*	18.30*	7.30	19.20	17.40	4.95*	.53*	.151*	.360	.210
	Nov.	20.00	24.80	16.40	16.50	18.60	8.00	19.70	16.80	5.05*	.54*	.149*	.409	.220
	Dec.	19.70	24.40	16.00	17.70*	20.20	8.30	20.30	18.00	4.90*	.54*	.145*	.427	.230
1958	Jan.	19.60	24.40	15.80	19.10	21.80	8.30	21.10	18.10	4.85*	.52	.160	.354	.230
	Feb.	18.40	23.00	15.00	20.50	22.80	8.50	21.30	19.20	4.80	.52	.166	.320	.240
	Mar.	18.10	22.00	15.00	21.70	24.80	8.30	21.80	20.00	4.70	.52	.184	.324	.210
	Apr.	16.80	20.40	13.60	22.00	25.00	8.30	21.30	20.20	4.25	.51	.163	.322	.220
	May	15.90	18.50	14.00	21.90	25.50	8.60	21.00	20.70	4.15	.51	.175	.315	.220

SOURCE: *Prices Received by Farmers*, Agricultural Marketing Service, U.S.D.A., Oklahoma City, Oklahoma, Monthly Releases or *Agricultural Prices*, A.M.S., U.S.D.A., Washington, D. C.

* Revised. ** Data not available. *** 9 months average.

Table 2.—Index Numbers of Prices Received by Farmers for Oklahoma Farm Products.[1]

(Percent of 1910-14 Average)

		Wheat	Corn	Oats	Barley	Rye	Grain sorghums	Cotton-lint	Cotton-seed	Sweet potatoes	All hay
1956		233	214	165	159	130	166	253	259	227***	271
1957		228	205	165	153	123	154	244	278	235***	261
1957	May	227	218	173	166	125	166	251	**	**	247
	June	220	212	140	132	111	159	251	**	**	211
	July	223	217	138	127	110	156	254	**	**	217
	Aug.	219	212	142	131	115	150	252	261	224	229
	Sept.	217	188	151	132	123	131	262	271	236	224
	Oct.	216	180	151	131	119	118	254	250	224	224
	Nov.	222	185	147	131	112	121	242	250	224	227
	Dec.	229	183	149	131	114	126	187	256	244	223
1958	Jan.	231	178	151	132	111	132	175	261	244	222
	Feb.	234	182	149	129	109	137	175	266	244	209
	Mar.	237	182	144	127	110	151	181	271	248	205
	Apr.	240	185	142	124	116	149	190	**	260	190
	May	240	191	136	122	113	150	211	**	**	180

		Cattle	Calves	Sheep	Lambs	Hogs	Wholesale milk	Butterfat	All chickens	Eggs
1956		275*	263*	107*	319*	206*	236*	224	182*	187
1957		328*	297*	146	335	256*	238*	221	173*	171
1957	May	327	295*	127	360	250	212*	222	178*	139
	June	333*	295*	130	341	266	218*	218	187*	137
	July	344*	298*	138	334	276*	228*	218	187*	139
	Aug.	340*	308	151	347	291	236*	218	186*	159
	Sept.	337*	305*	162	334*	281	246*	226*	169*	189
	Oct.	333*	307*	157	329	247	256*	226*	161*	202
	Nov.	342	312	173	338	239	262*	231*	158*	230
	Dec.	366*	338	178	348	256	254	231*	154*	240
1958	Jan.	395	365	178	362	257	251*	222	170	199
	Feb.	424	382	184	366	273	249	222	177	180
	Mar.	449	415	178	374	284	243	222	196	182
	Apr.	455	419	178	366	287	220	218	173	181
	May	453	427	186	360	294	215	218	186	177

SOURCE: Compiled by Dept. of Agri. Econ., Oklahoma State University, from data supplied by Agricultural Marketing Service, U.S.D.A., Oklahoma City, Oklahoma and Washington, D. C.
For previous years, see Oklahoma Agri. Exp. Sta. Bul. 238, *Oklahoma Farm Price Statistics* and *Current Farm Economics*, Okla. Expt. Sta. series 49, Vol. 13, Nos. 1 and 2, Feb.-Apr., 1940. Tables 16-19, and subsequent issues.

[1] For the index of purchasing power of a unit of an individual commodity in terms of commodities used in farm production and family living, divide the index of price received by Oklahoma farmers (in this table) by the index prices paid by United States farmers in Table 4 for the same month and multiply by 100.

* Revised. ** Data not available. *** 9 months average.

Table 3.—Price Indexes of Groups of Oklahoma Farm Products.
(Percent of 1910-14 Average)

		All commodities	Total crops	Grain	Cotton & cottonseed	Misc. crops	Total livestock and L. S. products	Meat animals	Dairy products	Chickens and eggs
1956		241	243	224	254	247	237	256	229*	186
1957		241*	231	218	238	235	264*	306*	229*	171*
1957	May	233	223	220	225	187	258	304	219*	149
	June	232*	219	212	225	159	262*	312*	218*	150*
	July	236*	222	215	228	164	269*	322*	221*	152*
	Aug.	248	238	211	253	208	273*	324*	224*	166*
	Sept.	252	242	207	263	227	276*	320*	233*	184*
	Oct.	246	235	204	254	224	271*	308*	237*	191*
	Nov.	244*	230*	209	243	225*	278	312	241*	210*
	Dec.	229*	202	215	194	228	292*	334*	239*	217*
1958	Jan.	227	197	216	184	227	301	356	232*	191
	Feb.	232	197	218	185	217	313	380	231	179
	Mar.	240	202	221	191	216	328	402	229	186
	Apr.	231	190	223	171	207	328	407	219	179
	May	238	200	224	189	136	328	408	217	179

Purchasing Power Indexes[1] of Groups of Oklahoma Farm Products
(Percent of 1910-14 Average)

		All commodities	Total crops	Grain	Cotton & cottonseed	Misc. crops	Total livestock and L. S. products	Meat animals	Dairy products	Chickens and eggs
1956		84	84	78	88	85	82	88*	79	65
1957		81	78	73	80	79	89*	103*	77*	58*
1957	May	78	75	74	75	63	86	102	73*	50
	June	78*	73	71	75	53	88*	104*	73*	50*
	July	79	74	72	77	55	90	108*	74*	51*
	Aug.	83	80	71	85	77	92	109	75*	56*
	Sept.	84	81	69	88	76	92	107*	78*	62*
	Oct.	83	79	68	86	75	91	104*	80*	64*
	Nov.	81	77*	70	81	75*	93	104	81*	70*
	Dec.	77*	68	72	65	76	98*	112*	80*	73*
1958	Jan.	76	66	72	62	76	101	119	78	64
	Feb.	78	66	73	62	73	105	127	77	60
	Mar	80	67	74*	64*	72	109	134	76	62
	Apr.	76	63	74	57	69	109	135	73	59
	May	79	66	74	63	45	109	135	72	59

SOURCE: Compiled by Dept. Agri. Econ., Oklahoma State University, from data supplied by Agricultural Marketing Service, U.S.D.A., Oklahoma City, Oklahoma, and Washington, D. C.

[1] The ratio of prices received by farmers to prices paid by farmers for commodities used in farm living and production. For individual commodities, see footnote 1 of Table 2.

* Revised.

The ratio of prices received by farmers to prices paid by farmers for commodities used in farm living and production. For individual commodities, see footnote 1 of Table 2.

* Revised.

Table 4.—Index Numbers in the United States, Index of Demand Deposits in Oklahoma, and Oklahoma Price Ratios.

		United States index numbers of:					Oklahoma price ratios[4]			
		Prices received by farmers (1910-14=100)	Prices paid by farmers (1910-14=100)	Wholesale prices (1910-14=100)	Factory payrolls[1] (1947-49=100)	Index of demand deposits in Oklahoma[2 3] (1923-25=100)	Hog corn	Egg feed	Turkey feed	Milk feed
1953		258	284	247	151.4*	289.3	14.04*	11.2	7.6	1.520
1954		250	286	247	137.7*	289.3	15.15	8.6	7.4	1.479*
1955		236*	286	248	152.5*	291.3	11.43	9.5	7.4	1.600*
1956		236	289	256	161.3	297.4	10.35	9.7	7.2	1.680
1957		242	298	264	162.7	290.9	13.54*	9.2	6.8	1.704
1957	May	243	299	263	161.0*	286.3	12.39	7.2	6.7	1.441*
	June	244	299	263	163.8*	287.2	13.55	7.4	6.7	1.617
	July	247	298	265	160.4	295.3	13.79*	7.5	6.6	1.653*
	Aug.	248	298	265	164.7*	292.7	14.86	8.6	6.7	1.740
	Sept.	245	299	265	164.7*	291.5	16.23	10.4	6.8	1.865*
	Oct.	240	297	265	162.6*	291.8	14.87	11.5	6.7	2.025
	Nov.	242	299	265	160.9*	289.0	14.00	13.0	7.0	2.095
	Dec.	242	299	265	157.4*	294.2	15.13	13.5	7.3	2.046
1958	Jan.	247	298	267	149.3*	307.2	15.60	11.2	7.3	2.052*
	Feb.	252	299	267	145.1	297.6	16.27	9.9	7.5	1.992
	Mar.	263	300*	270	143.3	293.0	16.95	10.0	6.5	1.925
	Apr.	264	302	270	----	298.7	16.83	9.7	6.6	1.729
	May	264	302	267	----	---	16.69	9.4	6.6	1.676

SOURCE: Indexes of U. S. prices received and prices paid by farmers and indexes of U. S. wholesale prices, from *Agricultural Prices*, A.M.S., U.S.D.A., Washington, D. C. Indexes of demand deposits in Oklahoma, calculated by Dept. Agri. Econ., Okla. Agri. Exp. Sta. from data furnished by Federal Reserve Board, Washington, D. C. Indexes of factory payrolls, from U. S. Department of Labor, Bureau of Labor Statistics, Washington, D. C.

[1] Unadjusted for seasonal variation.

[2] Demand deposits of Oklahoma member banks of the Federal Reserve System located in places under 15,000 population.

[3] Index numbers based on net demand deposits prior to 1936 and upon gross demand deposits since that date. For a discussion of this index see CURRENT FARM ECONOMICS, Oklahoma Agricultural Experiment Station Series 49, Vol. 13, Nos. 1 and 2. Feb.-Apr., 1940. p. 41.

[4] The number of bushels of corn or pounds of feed which one unit of the commodity (100 pounds of hogs, one dozen eggs, one pound of turkeys or milk) will purchase. Prices used are the official A.M.S. estimates of prices received by Oklahoma farmers except for commercial feeds or ingredients which are official A.M.S. estimates of prices paid by Oklahoma farmers. These ratios are computed on the basis of fixed rations and are not directly comparable with ratios computed from other rations. The composition of each ration used is available upon request.

* Revised.

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